

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LARUE COUNTY)	CASE NO.
WATER DISTRICT NO. 1 FOR A RATE)	2021-00285
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of August 17, 2021, the attached report containing the findings of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's August 17, 2021 Order, LaRue County Water District No. 1 is required to file written comments regarding the findings of Commission Staff no later than 14 days from the date of this report. The Commission directs LaRue County District No. 1 to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED NOV 18 2021

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

STAFF REPORT
ON
LARUE COUNTY WATER DISTRICT NO. 1
CASE NO. 2021-00285

LaRue County Water District No. 1 (LaRue District No. 1) is a water utility company that owns and operates a water distribution system through which it provides retail water service to approximately 3,767 retail customers that reside in LaRue County, Kentucky.¹ On July 21, 2021, LaRue District No. 1 filed an application with the Commission requesting to adjust its water rates pursuant to the alternative rate adjustment procedure for small utilities as set out in 807 KAR 5:076, and it was determined to be deficient. The deficiency was cured on July 23, 2021, and was considered filed. To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated August 17, 2021.

To comply with the requirements of 807 KAR 5:076, Section 9,² LaRue District No. 1 based the justification for its requested rates on a historical test period ended December 31, 2020. Using its pro forma test-year operations, LaRue District No. 1 provided evidence that it could justify a revenue increase of up to \$223,378, or 12.86 percent, to its retail water customers as shown in the table below.³ LaRue District No. 1 proposed a 12.00 percent across-the-board increase to its current water rates for

¹ Application, ARF Form 1 at 3.

² The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

³ Application, ARF-Revenue_Requirements.pdf.

all meter sizes. The proposed changes to LaRue District No. 1’s water rates amount to a \$4.62, or a 11.96 percent increase,⁴ on a typical residential customer monthly bill using 3,700 gallons per month.

	LaRue District
Pro Forma Operating Expenses	\$ 1,629,554
Plus: Average Annual Principal and Interest Payments	306,893
Additional Working Capital	<u>61,379</u>
Overall Revenue Requirement	1,997,826
Less: Other Operating Revenue	(11,224)
Interest Income	<u>(26,109)</u>
Revenue Required from Rates	1,960,493
Less: Pro Forma Present Rate Service Revenues	<u>(1,737,115)</u>
Required Revenue Increase	<u>\$ 223,378</u>
Percentage Increase	<u>12.86%</u>

To determine the reasonableness of the revenue requirement above and the sufficiency of the rates requested by LaRue District No. 1, Staff performed a limited financial review of LaRue District No. 1’s test-year operations. The scope of Staff’s review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable changes to test-year operations were identified and adjustments made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

⁴ Application, LCWD_-_Customer_Notice-1.pdf.

This report summarizes Staff's findings. Ariel Miller reviewed the calculation of LaRue District No. 1's Overall Revenue Requirement. Sam Reid reviewed LaRue District No. 1's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying a Debt Service Coverage (DSC) method, as generally accepted by the Commission, Staff found that LaRue District No. 1's Overall Revenue Requirement is \$1,898,769, and that a \$129,352 revenue increase, or 7.45 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Water Service Rates. LaRue District No. 1 proposed to increase its monthly retail water service rates evenly across the board by approximately 12 percent. LaRue District No. 1 has not performed a cost of service study (COSS). In response to Commission Staff's First Request for Information (Staff's First Request), LaRue District No. 1 stated that it did not complete a COSS at this time and further stated that the majority of its customers are residential and the fairest means to increase the monthly water rates is by an across-the-board percentage increase.⁵

The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS. Finding no such evidence in this case, Staff followed the method proposed by LaRue District No. 1 and allocated the \$129,352 revenue increase

⁵ LaRue District No. 1's Response to Staff's First Request (filed Sept. 14, 2021), Item 6.

determined by Staff an approximate 7.45 percent increase across the board to LaRue District No. 1's monthly retail water service rates.

The rates set forth in Appendix A to this Staff Report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$1,866,467 Revenue Required from Rates, an approximate 7.45 percent increase. These rates will increase a typical residential customer's monthly water bill from \$38.64 to \$41.51, an increase of \$2.87, or approximately 7.43 percent.⁶

3. Rate Case Expense. Staff notes that LaRue District No. 1 did not make a pro forma adjustment to amortize any costs attributable to the preparation of its application for rate adjustment. In its response to the Staff Report, LaRue District No. 1 should identify any additional costs that were incurred in preparation for this case.

PRO FORMA OPERATING STATEMENT

LaRue District No. 1's Pro Forma Operating Statement for the test year ended December 31, 2020, as determined by Staff, appears below.

⁶ The typical residential customer uses approximately 3,700 gallons per month.

	Test Year	Adjustment	(Ref.)	Pro Forma
Operating Revenues				
Sales of Water	\$ 1,641,676	\$ 95,439	(A)	\$ 1,737,115
Other Water Revenues	11,224	(5,031)	(B)	6,193
Total Operating Revenues	1,652,900	90,408		1,743,308
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	312,302			312,302
Salaries and Wages - Commissioners	10,800			10,800
Employee Pensions and Benefits	100,042	11,861	(C)	
		(3,630)	(D)	108,273
Purchased Water	469,310	53,108	(E)	522,418
Purchased Power for Pumping	27,299			27,299
Chemicals				-
Materials and Supplies	102,581	(14,925)	(F)	87,656
Contractual Services	19,790			19,790
Rent				-
Transportation Expense	22,851			22,851
Insurance	38,456			38,456
Regulatory Commission Expense	5,760			5,760
Bad Debt Expense	4,136			4,136
Miscellaneous Expense	54,751			54,751
Total Operation and Maintenance Expenses	1,168,078	46,414		1,214,492
Depreciation	396,507	(59,432)	(G)	337,075
Total Operating Expenses	1,564,585	(13,017)		1,551,568
Net Operating Income	88,315	103,425		191,740
Interest Income	26,109			26,109
Income Available to Service Debt	\$ 114,424	\$ 103,425		\$ 217,849

(A) Billing Analysis Adjustment. LaRue District No. 1 proposed to increase reported metered water sales by \$95,439 to normalize annual water sales to reflect the increase in rates approved in Case No. 2021-00194.⁷ Staff finds that LaRue District No. 1's adjustment is appropriate and accepts LaRue District No. 1's adjustment.

(B) Non-recurring Charges. Following the Commission's recent decisions Hyden-Leslie Water District's (Hyden-Leslie District) and Ohio County Water District's

⁷ Case No. 2020-00194, *Electronic Purchased Water Adjustment Filing of LaRue County Water District No. 1* (Ky. PSC July 2, 2020).

recent Alternative Rate Filing (ARF),⁸ Staff has reviewed LaRue District No. 1’s Non-recurring Charges. The Commission found that as personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of Non-recurring Charges should be eliminated from the charges. Staff has reviewed the cost justification information provided in LaRue District No. 1’s response to Staff’s First Request and has adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs.⁹ Staff also adjusted the mileage rate to the current allowable rate by the Internal Revenue Service (IRS) of \$0.56 per mile.¹⁰ Such adjustments result in the following revised Non-recurring Charges:

Non-recurring Charges	
Disconnection Charge	\$ 10.08
Reconnection Charge	\$ 10.08
Returned Payment Charge	\$ 15.00
Service Call/Investigation Charge	\$ 10.08
Meter Test	\$ 57.48

Staff reviewed Non-recurring charges that occur after normal business hours, following Case No. 2020-00141 and 2020-00167, Staff removed the office/clerk labor costs and adjusted the mileage rate to the current allowable rate by the IRS. LaRue District No. 1 provided updated wage data for 2020 showing an increase in the hourly wages for employees.¹¹ Staff revised the Field Labor Costs with the updated information. The net adjustments result in no change to the current after hours Non-recurring Charges.

⁸ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) and Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020).

⁹ LaRue District No. 1’s Response to Staff’s First Request (filed Sept. 14, 2021), Item 9.

¹⁰ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹¹ LaRue District No. 1’s Response to Commission Staff’s Second Request for Information (Staff’s Second Request) (filed Oct. 26, 2021), Item 3.

The calculation for Staff's adjustment to pro forma Other Water Revenues is shown below.

WATER_NON-RECURRING CHARGES 2020	Occurrences	Current Charge (Tariff)	Current Revenue	Revised NRC Rates	Revenue at Revised Rates	Net Adj. to Revenue
Disconnection Charge	90	\$ 40	\$ 3,600	\$ 10.08	\$ 907	\$ (2,693)
Reconnection Charge	89	\$ 40	\$ 3,560	\$ 10.08	\$ 897	\$ (2,663)
Reconnection Charge (After Hours)		\$ 90	\$ -	\$ 90.00	\$ -	\$ -
Returned Payment Charge	3	\$ 15	\$ 45	\$ 15.00	\$ 45	\$ -
Service Call/Investigation Charge	21	\$ 40	\$ 840	\$ 10.08	\$ 212	\$ (628)
Service Call/Investigation Charge (After Hours)	3	\$ 90	\$ 270	\$ 90.00	\$ 270	\$ -
Meter Test		\$ 100	\$ -	\$ 57.48	\$ -	\$ -
Damage to Meter Setting			\$ -			
Meter Relocate	1		\$ 500		\$ -	\$ (500)
Late Payment Penalty		10%	\$ 3,862		\$ 3,862	
TOTAL			\$ 12,677		\$ 6,193	\$ (6,484)
LaRue District Other Operating Revenue adjustments						
Other Operating Revenue	\$ 11,224					
		\$ (6,484)	Reduction to NRC charges			
		\$ 1,453	Adjustment for unadjusted trail balance			
		\$ (5,031)	Net Adjustments			
	\$ 6,193					

(C) Retirement Expense. In its application, LaRue District No. 1 proposed to increase Employee Pensions and Benefits expense by \$11,861 to reflect an increase to the County Employee Retirement System's (CERS) contribution rate from 24.06 percent to 26.95 percent which became effective July 1, 2021.¹² Staff confirmed the increase to the contribution rate via the Kentucky Public Pensions Authority website,¹³ and believes the adjustment fairly represents the increased costs to LaRue District No. 1. Accordingly, Staff increased Employee Pensions and Benefits expense by \$11,861.

(D) Employer Sponsored Insurance Benefits. LaRue District No. 1 currently provides health, dental, vision, and life insurance for employees of the District. As part of

¹² Application, ARF-SAO.pdf at 1.

¹³ <https://kyret.ky.gov/Employers/Pages/Contribution-Rates.aspx>

this provision, LaRue District No. 1 pays 100 percent of the premiums for single coverage for all insurance policies. Staff notes that the Commission has consistently made ratemaking adjustments to reduce the cost of employer sponsored healthcare paid by some utilities when certain aspects of those benefit packages were found to be unreasonable based on a review of total salaries and fringe benefits. With these adjustments, the Commission continues to place greater emphasis on evaluating employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.¹⁴

Consistent with Commission precedent on this issue, Staff reduced LaRue District No. 1's single health insurance premiums by 22 percent,¹⁵ and dental insurance premiums by 60 percent¹⁶ as shown in the calculation below. Accordingly, Staff decreased Salaries and Wages expense by \$3,630.

¹⁴ Case 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 2, 2020). Case 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 3, 2021).

¹⁵ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

¹⁶ Willis Benefits Benchmarking Survey, 2015. ([https://www.willis.com/documents/publications/Services/Employee Benefits/Willis Survey_011216_R1.pdf](https://www.willis.com/documents/publications/Services/Employee%20Benefits/Willis%20Survey_011216_R1.pdf)).

Type of Premium	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance	\$ 2,356	22%	\$ (518)	\$ 1,838
Dental Insurance	90	60%	(54)	36
Vision and Life Insurance	135			135
Total Pro Forma Monthly Premium				2,009
Times: 12 Months				<u>12</u>
Total Annual Pro Forma Premium				24,108
Less: Test Year				<u>(27,738)</u>
Adjustment				<u>\$ (3,630)</u>

(E) Purchased Water Adjustment. In its application, LaRue District No. 1 proposed a \$53,108 increase to its test-year purchased water expense.¹⁷ LaRue District No. 1 purchases water from the city of Campbellsville, Green-Taylor Water District, the city of Bardstown, the city of New Haven, Green River Valley Water District, and the city of Hodgenville. LaRue District No. 1's most recent Purchased Water Adjustments (PWA) were in Case Nos. 2020-00194 and 2021-00221, and LaRue District No. 1 wherein purchased water adjustment factors were approved for \$0.01/kgal and \$0.02/kgal, respectively.¹⁸ LaRue District No. 1's 2020 test year expenses do not fully reflect the wholesale water rate increases by its suppliers, and therefore, purchased water expenses must be adjusted upward to reflect the district's current costs. After reviewing the adjustment proposed by LaRue District No. 1, Commission Staff finds this adjustment to be appropriate and reflected an increase of \$53,108 to pro forma operations.

¹⁷ Application, ARF-Form 1, Attachment SAO-W (filed July 21, 2021)

¹⁸ Case No. 2020-00194, *Electronic Purchased Water Adjustment Filing of LaRue County Water District No. 1* (Ky. PSC July 2, 2020); Case No. 2021-00221, *Electronic Purchased Water Adjustment Filing of LaRue County Water District No. 1* (Ky. PSC June 18, 2021).

(F) Billing Software Upgrade. In its 2020 general ledger, LaRue District No. 1 coded an \$18,656 expense to Account 6220, Office Supplies, on March 5, 2020.¹⁹ The expense was to Ampstun Corporation for new billing software for the district and is a non-recurring cost.²⁰ LaRue District No. 1 proposed no adjustment to its test-year Material and Supplies expense to account for this non-recurring cost. As a non-recurring item, Staff believes this item is more appropriately capitalized and amortized over a period that aligns with the time the software is reasonably expected to be used and useful. The Financial Accounting Standards Board (FASB) issued ASC 350-40, which related specifically to the accounting treatment of internal-use software, and determined that it should be capitalized and amortized. As a quasi-governmental entity, a water district is not subject to the provisions of FASB, but Staff believes that the standard that has been set for the capitalization of internal-use software by the FASB is the most appropriate treatment for this intangible asset. More specifically, ASC 350-40-35-5 states that:

In determining and periodically reassessing the estimated useful life over which the costs incurred for internal-use computer software will be amortized, entities shall consider the effects of all of the following:

- a. Obsolescence
- b. Technology
- c. Competition
- d. Other economic factors
- e. Rapid changes that may be occurring in development of software products, software operating system, or computer hardware and whether management intends to replace any technologically inferior software or hardware.

Given the history of rapid changes in technology, software often has a relatively short useful life.²¹

¹⁹ LaRue District No. 1's Response to Staff's First Request, Item 1.

²⁰ LaRue District No. 1's Response to Staff's Second Request, Item 1.

²¹ <https://asc.fasb.org/section&trid-2144521>.

Staff believes that due to the issues raised above, the proper amortization period for the billing software should be five years, which considers obsolescence and rapid changes that may be occurring in software and computer hardware development. Therefore, Staff reduced LaRue District No. 1’s test-year Material and Supplies expense by \$14,925 to reflect the amortization of the billing software.²²

(G) Depreciation Expense. In its application, LaRue District No. 1 reported a test-year Depreciation expense of \$396,507. To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study). When no evidence exists to support a specific life that is outside the NARUC Study ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate water utility plant. Upon examination, Staff found several assets that were outside the accepted ranges of the NARUC Study. In this proceeding, Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Upon review of LaRue District No. 1’s plant ledger, Staff decreased Depreciation expense by \$59,432. Staff’s calculations are attached as Appendix B to this report.

22

Cost to Purchase Billing Software	\$	18,656
Amortize by: 5 Years		<u>5</u>
Annual Amortization Expense		3,731
Less: Test Period Expense		<u>(18,656)</u>
Decrease to Expense	\$	<u>(14,925)</u>

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

By applying a DSC method, Staff determined LaRue District No. 1's Overall Revenue Requirement to be \$1,898,769. Staff calculated a revenue increase of \$129,352, or 7.45 percent, to base rate revenue is necessary to generate the Overall Revenue Requirement. A comparison of LaRue District No. 1's and Staff's calculation of the Overall Revenue Requirement and the Required Revenue Increase using a DSC method is shown below.

	LaRue District	Staff	
Pro Forma Operating Expenses	\$ 1,629,554	\$ 1,551,568	
Plus: Average Annual Principal and Interest Payments	306,893	289,334	(1)
Additional Working Capital	61,379	57,867	(2)
	<hr/>	<hr/>	
Overall Revenue Requirement	1,997,826	1,898,769	
Less: Other Operating Revenue	(11,224)	(6,193)	
Interest Income	(26,109)	(26,109)	
	<hr/>	<hr/>	
Revenue Required from Rates	1,960,493	1,866,467	
Less: Pro Forma Present Rate Service Revenues	(1,737,115)	(1,737,115)	
	<hr/>	<hr/>	
Required Revenue Increase	\$ 223,378	\$ 129,352	
Percentage Increase	12.86%	7.45%	
	<hr/>	<hr/>	

(1) In its application, LaRue District No. 1 proposed to include in its revenue requirement the three-year average of its annual principal and interest payments on its bond payable to the United States Department of Agriculture Rural Development (RD), for a loan payable to the Kentucky Rural Water Finance Corporation (KRWFC), and for its anticipated principal and interest payments at the time of the application for a future

bond payable to RD for a construction project approved in Case No. 2020-00234.²³ Staff examined LaRue District No. 1's supporting documentation in its application²⁴ and maturity schedule included in LaRue District No. 1's responses on the indebtedness approved in Case No. 2020-00234.²⁵ and recalculated the five-year average of LaRue District No. 1's bonds and loan payable summarized in the table below:

Year	Annual Debt Payment
2022	\$ 286,500
2023	287,827
2024	289,488
2025	291,468
2026	291,390
	<hr/>
Total	1,446,672
Divide by: 5 years	<hr/> 5
	<hr/>
Average Annual Principal and Interest Payment	<u>\$ 289,334</u>

(2) LaRue District No. 1 included in its calculation of the revenue requirement \$61,379 for a debt coverage requirement of 1.20 as required by RD.²⁶ The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are

²³ LaRue District No. 1's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Nov. 4, 2021), Item 2.a. Case No. 2020-00234, *Electronic Application of the LaRue County Water District #1 for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Aug. 26, 2020).

²⁴ Application, 2012_bonds_repayment_schedule.xlsx.

²⁵ LaRue District No. 1's Response to Staff's Third Request, Item 2.b., LCWD_-Maturity_Schedule.pdf

²⁶ Application, ARF-Revenue_Requirements.pdf.

above its average annual debt payments. RD requires that LaRue District No. 1 charge rates that produce net revenues that are at least 120 percent of its average annual debt payments. Following the Commission’s historic practice, Staff agrees with LaRue District No. 1’s proposal to include additional working capital on its current indebtedness but has recalculated the amount based on the average annual principal and interest payments calculated by Staff above. The calculation of LaRue District No. 1’s additional working capital is summarized below:

Average Annual Principal and Interest	\$ 289,334
Times: DSC Coverage Ratio	<u>120%</u>
Total Net Revenues Required	347,201
Less: Average Annual Principal and Interest Payments	<u>(289,334)</u>
Additional Working Capital	<u><u>\$ 57,867</u></u>

Signatures

/s/ Ariel Miller

Prepared by: Ariel Miller
Revenue Requirements Branch
Division of Financial Analysis

/s/ Sam Reid

Prepared by: Sam Reid
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00285 DATED NOV 18 2021

The following rates and charges are prescribed for the customers in the area served by Larue County Water District No 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	1,000	Gallons	\$ 18.45	Minimum bill
Next	4,000	Gallons	0.00854	Per Gallon
Next	5,000	Gallons	0.00763	Per Gallon
All Over	10,000	Gallons	0.00624	Per Gallon

3/4-Inch Meter

First	3,000	Gallons	\$ 35.49	Minimum bill
Next	2,000	Gallons	0.00854	Per Gallon
Next	5,000	Gallons	0.00763	Per Gallon
All Over	10,000	Gallons	0.00624	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$ 52.54	Minimum bill
Next	5,000	Gallons	0.00763	Per Gallon
All Over	10,000	Gallons	0.00624	Per Gallon

1 1/2-Inch Meter

First	10,000	Gallons	\$ 90.61	Minimum bill
All Over	10,000	Gallons	0.00624	Per Gallon

2-Inch Meter

First	20,000	Gallons	\$ 152.82	Minimum bill
All Over	20,000	Gallons	0.00624	Per Gallon

NON-RECURRING CHARGES

Disconnection Charge	\$ 10.08
Reconnection Charge	10.08
Reconnection Charge (After Hours)	90.00
Return Payment Charge	15.00
Service Call/ Investigation	10.08
Service Call/ Investigation (After Hours)	90.00
Meter Test	57.48

APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00285 DATED NOV 18 2021

Asset Number	Asset	Original Cost	Larue District Life	Current Depreciation	Staff Life	Adjusted Depreciation	Difference
Distribution Standpipes and Tanks							
16	New Standpipes	\$ 90,088	40	\$ 2,252	45	\$ 2,002	\$ (250)
97	Dist Standpipe Addition	45,431	50	909	45	1,010	101
107	Trans & Dist	136,736	50	2,735	45	3,039	304
114	Distribution Standpipes	260,815	50	5,216	45	5,796	580
138	Distr. Standpipes	276,849	50	5,537	45	6,152	615
162	Distribution Standpipes	324,543	50	6,491	45	7,212	721
180	Standpipes and Tanks	19,963	50	399	45	444	45
230	Standpipes and Tanks	251,766	50	5,035	45	5,595	560
237	Standpipes and Tanks	25,193	50	504	45	560	56
269	White City Tank Restoration	69,700	25	2,788	15	4,647	1,859
270	Atila Tank	380,529	40	9,513	45	8,456	(1,057)
271	Howardstown Tank	564,898	40	14,122	45	12,553	(1,569)
Hydrants							
7	Hydrants	4,856	5	-	N/A	-	-
19	Hydrants	11,069	20	-	N/A	-	-
76	Hydrants	1,000	20	-	N/A	-	-
95	Hydrants	2,071	40	52	50	41	(11)
130	Hydrants	1,755	40	44	50	35	(9)
205	Hydrants	3,284	40	82	50	66	(16)
48	Hydrants	83,541	40	2,089	50	1,671	(418)
Meters And Installations							
189	Meters and Installation	32,027	30	1,068	15	2,135	1,067
200	Meters	19,046	10	-	N/A	-	-
191	Meters and Installation	15,298	30	510	15	1,020	510
201	Meters	24,832	10	-	N/A	-	-
119	Meters	5,000	30	167	15	333	166
199	Meters and Installation	9,782	30	326	15	652	326
190	Meters and Installation	2,665	30	89	15	178	89
202	Meters	14,692	30	-	N/A	-	-
217	Meters	1,572	10	-	N/A	-	-
206	Meters	24,210	10	-	N/A	-	-
227	Meters	6,978	10	-	N/A	-	-
234	Meters	17,930	10	-	N/A	-	-
239	Meters	22,824	10	-	N/A	-	-
242	Meters	13,752	10	-	N/A	-	-
243	Meters	1,120	10	-	N/A	-	-
252	Meters	703	10	-	N/A	-	-
255	Meters	3,840	10	256	15	256	-
253	Meters	8,160	10	612	15	544	(68)
254	Meters	8,928	10	743	15	595	(148)
251	Meters	703	10	59	15	47	(12)
274	Meters	66,004	10	-	15	4,400	4,400
278	Meters	39,580	10	3,958	15	2,639	(1,319)
289	Meters	68,075	10	6,908	15	4,538	(2,370)
27	Meters	145,917	10	14,592	15	9,728	(4,864)
33	Meters	179,192	10	17,919	15	11,946	(5,973)
66	Meters	15,451	10	1,545	15	1,030	(515)
102	Meters	15,850	10	1,585	15	1,057	(528)
101	Meters	5,072	10	507	15	338	(169)
103	Meters	15,939	10	1,594	15	1,063	(531)
110	Meters	53,806	10	5,381	15	3,587	(1,794)
123	Meters and Installation	32,679	10	-	15	2,179	2,179
Office Furniture and Equipment							
77	Server	13,202	5	2,640	5	2,640	-
118	E-Z Reader Software	6,000	10	600	10	600	-

Asset Number	Asset	Original Cost	Larue District Life	Current Depreciation	Staff Life	Adjusted Depreciation	Difference
Pumping Equipment							
287	Electric Pumping Equipment	11,103	10	1,110	20	555	(555)
89	SCADA System	60,000	10	6,000	10	6,000	-
121	SCADA System	60,255	10	6,025	10	6,025	-
Services							
18	Services	66,778	40	1,669	40	1,669	-
21	Services	38,423	40	961	40	961	-
25	Services	7,425	40	186	40	186	-
29	Services	3,921	40	98	40	98	-
31	Services by Wise	14,850	40	371	40	371	-
94	Services	14,142	40	354	40	354	-
105	Services	28,633	30	954	40	716	(238)
109	Services	29,092	30	970	40	727	(243)
116	Services	114,915	30	3,831	40	2,873	(958)
140	Services	161,302	30	5,377	40	4,033	(1,344)
145	Services	35,538	30	1,185	40	888	(297)
153	Services	24,058	30	802	40	601	(201)
154	Services	49,703	30	1,657	40	1,243	(414)
157	Services	26,562	30	885	40	664	(221)
160	Services	180,643	30	6,021	40	4,516	(1,505)
204	Service Install	2,000	20	100	40	50	(50)
232	Service Install	4,800	20	240	40	120	(120)
275	Services Roadbore	15,000	10	1,500	40	375	(1,125)
36	Services	9,868	75	132	40	247	115
39	Clean Up Water Lines	4,500	75	60	40	113	53
53	Services	10,507	75	140	40	263	123
100	Services	10,146	75	135	40	254	119
Structures and Improvements							
15	Pumping Plant	60,590	40	1,515	40	1,515	-
91	Building	40,388	40	1,010	40	1,010	-
92	Building Improvements	5,043	40	126	40	126	-
98	Office Building Improvements	418	50	8	50	8	-
132	Structure	9,263	40	232	40	232	-
225	Improvement to Existing	40,057	20	2,003	20	2,003	-
229	Improvement to Existing	37,294	20	1,865	20	1,865	-
236	Road Bore at Elementary	12,843	20	642	20	642	-
248	Maintenance Building	1,380	10	23	10	-	(23)
249	Buffalo Water Tower	10,449	10	522	10	-	(522)
273	Fence	7,998	10	800	10	800	-
284	Roof Repair	9,390	20	470	20	470	-
285	Furance	6,500	10	650	10	650	-
23	Fence	2,155	10	215	10	216	-
20	King's Hill Pump House	8,800	20	440	20	440	-
87	Building Improvements	5,188	25	208	25	208	-
Tools and Shop Equipment							
125	61' Cut Scag Mower	8,500	5	425	5	1,700	1,275

Asset Number	Asset	Original Cost	Larue District Life	Current Depreciation	Staff Life	Adjusted Depreciation	Difference
Transmission and Distribution Mains							
17	Transmission Lines	544,004	40	13,600	62.5	8,704	(4,896)
24	Transmission Lines	28,822	40	721	62.5	461	(260)
28	Transmission Lines	6,829	40	171	62.5	109	(62)
32	5190' New Lines	6,144	40	154	62.5	98	(56)
35	Distribution Mains	40,733	40	1,018	62.5	652	(366)
38	Expansion	3,092	40	77	62.5	49	(28)
41	Mains	23,637	40	591	62.5	378	(213)
42	Clifford Line	239	20	-	N/A	-	-
43	J W Skaggs Line	250	20	-	N/A	-	-
49	Meers Bridge Sys	33,000	40	825	62.5	528	(297)
51	Line 210 Lake Road	8,723	40	218	62.5	140	(78)
52	31E Bridge	10,894	40	272	62.5	174	(98)
50	Fire Station Bridge	24,247	40	606	62.5	388	(218)
56	Beaver Creek Proj	16,870	40	422	62.5	270	(152)
62	Plouvier Rd Prok	7,209	40	180	62.5	115	(65)
55	Par 1 Project	10,942	40	273	62.5	175	(98)
60	31E Bridge Areas	22,626	40	566	62.5	362	(204)
63	Lyons Station	442,209	40	11,055	62.5	7,075	(3,980)
64	Transmission Lines	1,299	40	32	62.5	21	(11)
69	Roanoke	20,099	40	502	62.5	322	(180)
71	Capitalized Inter	6,848	40	171	62.5	110	(61)
80	Athertonville	35,835	40	896	62.5	573	(323)
81	Salem Church	16,503	40	413	62.5	264	(149)
82	Baumgardner	2,988	40	75	62.5	48	(27)
83	Capitalized Inter	11,222	40	281	62.5	180	(101)
85	Dist Standpipes	180	40	5	62.5	3	(2)
86	Trans and Dist	1,989	40	50	62.5	32	(18)
90	Transmission and Dist	154,405	40	3,960	62.5	2,470	(1,490)
93	Trans and Dist	14,722	40	368	62.5	236	(132)
96	Trans and Dist	865,537	50	17,311	62.5	13,849	(3,462)
106	Trans and Dist	45,611	50	912	62.5	730	(182)
108	Trans and Dist	12,185	50	244	62.5	195	(49)
115	Trans and Distribution	742,333	50	14,847	62.5	11,877	(2,970)
139	Trans and Dist	792,175	50	15,844	62.5	12,675	(3,169)
143	Trans and Dist	22,788	50	456	62.5	365	(91)
151	Trans and Dist	101,749	50	2,035	62.5	1,628	(407)
150	Trans and Dist	6,190	50	124	62.5	99	(25)
152	Trans and Dist	37,394	50	1,348	62.5	598	(750)
156	Transmission and Distribution	411,225	50	8,225	62.5	6,580	(1,645)
163	Transmission and Distribution	2,597,600	50	51,952	62.5	41,562	(10,390)
167	Transmission and Distribution	347,106	50	6,942	62.5	5,554	(1,388)
188	Transmission and Distribution	73,990	30	2,466	62.5	1,184	(1,282)
179	Transmission and Distribution	64,663	50	1,293	62.5	1,035	(258)
182	Transmission and Distribution	39,963	50	799	62.5	639	(160)
181	Transmission and Distribution	19,456	50	389	62.5	311	(78)
185	Transmission and Distribution	254,793	50	5,096	62.5	4,077	(1,019)
183	Transmission and Distribution	236,218	50	4,724	62.5	3,779	(945)
195	Transmission and Distribution	24,180	50	484	62.5	387	(97)
197	Transmission and Distribution	20,976	50	420	62.5	336	(84)
207	Transmission and Distribution	4,000	50	80	62.5	64	(16)
208	Transmission and Distribution	45,189	50	904	62.5	723	(181)
209	Transmission and Distribution	6,335	50	127	62.5	101	(26)
210	Transmission and Distribution	49,778	50	996	62.5	796	(200)
211	Transmission and Distribution	14,537	50	291	62.5	233	(58)
212	Transmission and Distribution	104,410	50	2,088	62.5	1,671	(417)
213	Transmission and Distribution	22,260	50	445	62.5	356	(89)
214	Transmission and Distribution	110,239	50	2,205	62.5	1,764	(441)
215	Transmission and Distribution	14,292	50	286	62.5	229	(57)
216	Transmission and Distribution	21,549	50	431	62.5	345	(86)
224	Transmission and Distribution	87,254	30	2,908	62.5	1,396	(1,512)
226	Transmission and Distribution	46,421	30	1,547	62.5	743	(804)
231	Transmission and Distribution	40,144	50	803	62.5	642	(161)
233	Transmission and Distribution	25,582	30	853	62.5	409	(444)
238	Transmission and Distribution	24,746	30	825	62.5	396	(429)
241	Transmission and Distribution	14,358	30	479	62.5	230	(249)
244	Transmission and Distribution	1,268	50	25	62.5	20	(5)
245	Transmission and Distribution	2,738	50	55	62.5	44	(11)
246	Transmission and Distribution	1,144	50	23	62.5	18	(5)
250	Transmission and Distribution	18,196	30	607	62.5	291	(316)
262	Transmission and Distribution	21,788	30	726	62.5	349	(377)
272	Transmission and Distribution	340,643	50	6,813	62.5	5,450	(1,363)
277	Transmission and Distribution	65,551	50	1,311	62.5	1,049	(262)
288	Transmission and Distribution	92,110	50	1,842	62.5	1,474	(368)
30	Transmission and Distribution	19,621	50	392	62.5	314	(78)
117	Transmission and Distribution	22,715	50	454	62.5	363	(91)

Asset Number	Asset	Original Cost	Larue District Life	Current Depreciation	Staff Life	Adjusted Depreciation	Difference
Transportation							
58	Chevrolet Silverado 2017	23,621	5	4,724	5	4,724	-
59	Chevrolet Silverado 2017	23,621	5	4,724	5	4,724	-
54	2017 Dodge Ram 3500	52,260	5	10,452	5	10,452	-
120	2016 Ford Truck	21,000	5	4,200	5	4,200	-
124	2020 Chevy Crew 1500 Truck	28,256	5	842	5	5,651	4,809
Pro Forma Depreciation Adjustment							<u>\$ (59,432)</u>

*Adam Scott

*Larue County Water District #1
6215 L & N Turnpike
Buffalo, KY 42716

*Tim Bartley
General Manager
Larue County Water District #1
6215 L & N Turnpike
Buffalo, KY 42716